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# IMPENDING NAVAL RIVALRY

by

WILLIAM T. STONE

*with the aid of the Research Staff of the Foreign Policy Association*

## THE BASIC TREATY STRUCTURE

THE past few months have been darkened by the threat of a new naval race. Despite the limitations of the Washington and London Naval Treaties, the United States and Japan have embarked on the largest naval building programs since the World War. The Vinson Bill,<sup>1</sup> designed to bring the United States navy up to the maximum levels of the London and Washington Treaties, carried an authorization for the construction of 102 naval vessels during the period of the next seven years at a cost variously estimated at from \$475,000,000 to \$1,000,000,000. In Japan, a "second replenishment program" has already assured the attainment of the maximum tonnage levels on the expiration of the existing agreements.<sup>2</sup> France and Italy are competing in the Mediterranean, while Great Britain is striving to maintain its relative position in Europe as well as overseas.

This competition within the framework of the naval limitation treaties is due in large measure to the efforts of the leading powers to place themselves in the best possible bargaining position at the next naval conference. With existing treaties about to expire, Japan, France and Italy are striving to improve their relative positions, while the United States and Great Britain are apparently seeking to preserve existing ratios by building to the maximum levels of the Washington and London agreements.

Under the provisions of the London Naval Treaty, the five principal maritime powers are to meet in 1935 to review the status of existing treaties. Unless a new agreement is reached at this conference, the London Treaty will expire on December 31, 1936. The Washington Naval Treaty will also lapse on the same date if one or more of the signatories gives notice of its intention to denounce the agreement before the end of 1934. As Japan has already announced its intention to ask for a higher ratio,<sup>3</sup> it is presumed that the Washington agreement will be formally denounced before the end of the current year.

Thus, although existing treaties have more than two years to run, the future relationships of the leading sea powers are already being shaped by fast-moving events which may determine the outcome of the next conference even before it can meet.

The outlook for naval limitation is admittedly dark. Confidence in existing international agreements and the efficacy of peace machinery has been shaken by the virtual collapse of the Disarmament Conference at Geneva, the withdrawal of Japan and Germany from the League of Nations, and the inability of the League to enforce its verdict in the conflicts in the Far East and South America. Finally, the basic structure of the Pacific Settlement, reached at the Washington Conference, has been materially altered since September 1931 by Japan's policy on the Asiatic mainland.

This report traces briefly the background of existing treaties and analyzes the current building programs of the principal naval powers. The state of tension in the Pacific area today is comparable in some respects to the critical situation in the Far East prior to the Washington Conference of 1921-1922. In 1921, as now, Japan was firmly entrenched on the Asiatic mainland. While the Western powers were preoccupied with the war in Europe, Japan had succeeded in establishing a virtual protectorate over Manchuria, wringing concessions from China under pressure of the famous Twenty-One Demands,<sup>4</sup> and taking over German rights and properties in Shantung. Large numbers of Japanese troops were still in Vladivostok and other sections of the Siberian maritime province. Further, the military party, then dominant in Tokyo, was seeking to carry out an "Asiatic Monroe Doctrine" which conflicted with the "open door" policy of the United States at many points.

The tension aroused by these conflicts of policy was heightened by the naval competition which began during the World War, and increased sharply in the years immediately

1. United States, 73rd Congress, 2nd Session, H.R. 6604.

2. *Trans-Pacific* (Tokyo), August 5, 1933.

3. Cf. League of Nations, Conference for the Limitation and Reduction of Armaments, *Minutes of the General Commission*, 64th meeting, May 25, 1933.

4. Raymond L. Buell, "The Washington Conference" (New York, Appleton, 1922), pp. 10-11. J. V. A. MacMurray, *Treaties and Agreements with and concerning China* (New York, Oxford University Press, 1921), pp. 1216-1236.

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following. In the summer of 1916 the United States Congress adopted a huge building program calling for the construction of 157 war vessels within a period of 36 months—the largest single project ever carried out by any nation.<sup>5</sup>

In Japan a similar expansion program was launched during the war. At the end of the Russo-Japanese war the Japanese naval authorities had outlined a plan for 8 capital ships, 8 battle cruisers, and 117 auxiliary vessels. This plan, known as the 8—8 program, was not carried out for a number of years, but a beginning was made before 1914, and construction of additional capital ships and battle cruisers was speeded up during the war. Finally, in 1919 the Japanese Diet adopted the full 8—8 program, providing for a fleet of 16 capital ships and 85 auxiliaries to be completed by 1928.<sup>6</sup> As a result of this program, naval expenditure increased from \$55,000,000 in 1917 to more than \$240,000,000 in 1921.

The European powers, devoting all their resources to the struggle on the Western front, allowed naval construction to lapse during the war years and made no effort to keep pace with the United States and Japan. By the end of 1918 the United States and Japan had overtaken all of the Continental powers, and the American navy was in a position to challenge Great Britain's command of the seas. The transformation in the relative positions of the leading powers is shown by the following tables:

STRENGTH OF THE LEADING SEA POWERS  
ON JULY 1, 1914<sup>7</sup>

Great Britain .....	2,714,106
Germany .....	1,306,577
France .....	899,915
United States .....	894,889
Japan .....	699,916
Russia .....	678,818
Italy .....	497,815
Austria-Hungary .....	347,508

STRENGTH OF LEADING POWERS ON  
NOVEMBER 1, 1919<sup>8</sup>

Great Britain .....	2,829,661
United States .....	2,067,478
Japan .....	980,426
France .....	799,873
Italy .....	434,727
Germany* .....	116,886
Austria** .....	
Russia† .....	

\*Tonnage retained under provisions of the Versailles Treaty.

\*\*All Austro-Hungarian warships were surrendered to the Allied and Associated Powers under Article 136 of the Treaty of St. Germain-en-Laye.

†As a result of the revolution, naval figures for Russia are not available for 1919.

5. The cost of the program was estimated at \$850,000,000—more than the total amount spent on ship construction during the preceding 20 years. When the United States entered the war, the program was drastically revised; work on 10 battleships and 6 giant battle cruisers was dropped, while 300 destroyers and other small surface craft were rushed to completion in order to cope with the German submarine menace. Between July 1917 and October 1918 no less than 155 combat vessels were actually launched in American yards, and at the time of the Armistice 300 more ships were on the ways. *Report of the Secretary of the Navy, 1918* (Washington, Government Printing Office), p. 35.

6. Cf. *The Japan Year Book, 1933* (Tokyo, Foreign Affairs Association, 1934).

With the signing of the Armistice, a new race for naval supremacy appeared imminent. The United States Navy Department, quick to capitalize the advantage won during the war, resumed work on the capital ship program abandoned in 1917, and boldly asked for a new three-year program approximately duplicating the Act of 1916.<sup>9</sup> Congress ignored the demand, but supplied the funds to carry out the earlier program which, when completed, would give the United States a fleet at least equal, if not superior, to the British. Great Britain countered by authorizing the construction of four new battle cruisers of 43,000 tons, while Japan hurriedly adopted its full 8—8 program.

The Washington Conference was called primarily to arrest this impending naval competition. But President Harding and Secretary Hughes recognized that there could be little hope of reducing armaments without some adjustment of those basic issues which had led to misunderstanding and suspicion in the Pacific. The naval agreement finally reached at Washington consequently rested on a settlement of the outstanding political issues affecting the Far East.

The Washington Naval Treaty<sup>10</sup> limited the number and total tonnage of capital ships and aircraft carriers of the five principal powers, and fixed the levels ultimately to be attained in the ratio of 5 for Great Britain and the United States, 3 for Japan, and 1.67 for France and Italy.<sup>11</sup> The ratios for the three leading powers were based on a simple formula—the “existing strength” of the British Empire, the United States and Japan, including ships under construction at the time and those already built. By employing this formula it was possible to rule out as extraneous all claims to special consideration based on geographical location, particular defensive requirements and special needs. Secretary Hughes was able to demonstrate the futility of naval competition by pointing to the commanding position then held by the United States and the financial ability of this country to outstrip either of its two competitors.

The ratios agreed on at Washington, however, had a deeper significance; in effect, they conferred on each of the three powers naval supremacy in its own sphere of influence. By virtue of its distance from North America and Europe, the Japanese navy was assured

7. Based on total tonnage of combatant ships built and building. *United States Navy Year Book, 1914*. Senate Document 367, 63rd Congress, 3rd session (Washington, Government Printing Office, 1914), p. 850.

8. *Report of the Secretary of the Navy, 1920* (Washington, Government Printing Office).

9. *Report of the Secretary of Navy, 1918*, cited, p. 33.

10. For discussion of the Washington Conference, cf. Buell, “The Washington Conference,” cited; also “The International Naval Situation,” *Foreign Policy Association, Information Service*, January 6, 1928.

11. United States, Department of State, *Treaty Series*, No. 671.

a position of dominance in Far Eastern waters, despite its lower ratio. The United States, in turn, was superior to either Great Britain or Japan in the American hemisphere, while Great Britain enjoyed superiority in the Mediterranean and the North Atlantic.

Japan's naval supremacy was confirmed by two vital concessions which established its security in the Far East. The first was the voluntary relinquishment by the United States of a naval program which inevitably constituted a threat to Japan; the second was an agreement to maintain the *status quo* with regard to naval bases in the Pacific. Article XIX of the naval treaty prohibited each of the three powers from acquiring new bases, or increasing fortifications or existing facilities at bases already established.<sup>12</sup> The effect of this agreement was to insure Japan against the danger of attack from either of its potential rivals, as without fortified bases neither the United States nor Great Britain could wage an offensive war in the Far East with any prospect of success.

In addition to these important concessions, the United States, Great Britain, France and Japan agreed in the Four-Power Pact to "respect their rights in relation to their insular possessions" in the Pacific, and to confer together should a controversy arise between them or should those rights be threatened by any third party.<sup>13</sup> According to Japan, the Four-Power Pact constituted a pledge that the United States and Great Britain would not jointly intervene in the Orient.

In return for these substantial assurances of its security in Asia, Japan made several important concessions. In the Nine-Power Treaty,<sup>14</sup> Japan, together with the United States, Great Britain, France, Italy, The Netherlands, Belgium, and Portugal, agreed to respect the sovereignty, independence, and territorial and administrative integrity of China, and to provide the fullest and most unembarrassed opportunity to China to develop and maintain an effective and stable government. The powers agreed further to use their influence for the purpose of effectively establishing and maintaining the Open Door principle throughout Chinese territory. The pledge contained in the Nine-Power

Treaty was of the utmost importance to the United States, as it constituted formal treaty recognition of the two basic principles of American policy in the Far East: equality of commercial opportunity, and preservation of China's territorial integrity.<sup>15</sup>

In the final analysis, however, the whole Pacific settlement rested on the good faith of Japan, on which the Western powers had conferred military and naval predominance in Asia.

The political settlement reached at the Washington Conference lasted for almost ten years, during which it served as a stabilizing influence in the Far East.<sup>16</sup> But with the launching of the Japanese military campaign in Manchuria in September 1931, and the subsequent creation of the new state of Manchoukuo, the *status quo* established in 1922 was profoundly altered.<sup>17</sup> The effect of the separation of the three Manchurian provinces and the province of Jehol from China was to upset the balance and raise anew the conflicting issues which had disturbed the peace in the Far East a decade before. For the United States, in particular, any modification of the Nine-Power Pact involved the whole basis of the Washington Conference settlement. Secretary Stimson, in his letter to Senator Borah on February 24, 1932, declared:

"No one of these treaties can be disregarded without disturbing the general understanding and equilibrium which were intended to be accomplished and effected by the group of agreements arrived at in their entirety.

"One cannot discuss the possibility of modifying or abrogating those provisions of the Nine-Power Treaty without considering at the same time the other promises upon which they were really dependent."

Since March 4, 1933 the Roosevelt Administration has not had occasion to reaffirm the Stimson doctrine of non-recognition, or to state publicly its policy with respect to Far Eastern problems. At the same time it has withheld recognition of Manchoukuo and permitted the adoption of the Vinson naval construction bill authorizing a treaty navy.

On March 21, 1934 Washington and Tokyo made public an exchange of messages between Secretary Hull and Foreign Minister Hirota, in which both statesmen professed a desire for continued peace and

12. The United States was prevented from developing the naval stations in the Philippines, Guam and Samoa or from establishing new bases in other insular possessions east of Hawaii. Great Britain was prohibited from developing its bases at Hong Kong and Weihaiwei or establishing new bases in the Pacific. Japan agreed to maintain the *status quo* in the Bonin and Kurile Islands, close to its mainland, and all other insular possessions. Cf. "Outlying Naval Bases," Foreign Policy Association, Information Service, October 2, 1929.

13. This agreement resulted from the cancellation of the Anglo-Japanese Alliance by Great Britain. As long as the alliance continued, it formed the basis for a naval combination of Great Britain and Japan against the United States. But Japan was not willing to sacrifice a treaty which had pledged it the support of Great Britain for 20 years without some assurance that the great Western powers would not combine against it.

14. United States, Department of State, *Treaty Series*, No. 723.

15. In 1922, as a result of the Washington negotiations, Japan also restored Shantung province to China and withdrew its troops from Siberia.

16. The guarantee of China's territorial integrity under the Nine-Power Treaty, however, did not preclude the continued practice of foreign "intervention" during this period. Outstanding examples of this practice were the massing of foreign troops at Shanghai in 1926-1927, and the Japanese military occupation of Shantung province in 1928-1929. These precedents complicated the League's task in dealing with Japanese "intervention" in Manchuria in September 1931.

17. Cf. T. A. Bisson, "The New Status in the Pacific," *Foreign Policy Reports*, January 17, 1934.



implied a readiness to enter into future diplomatic conversations looking to the settlement of outstanding questions.<sup>18</sup>

Despite the better atmosphere produced by this exchange of notes, the unresolved issues which will confront the 1935 conference run parallel in some respects to the issues which faced the first naval conference in 1922. As

### COMPETITION UNDER TREATY LIMITATION

Although the Washington Naval Treaty checked the impending race in capital ships, it failed to limit cruisers, destroyers and submarines and left the door open to competition in these auxiliary vessels.<sup>19</sup>

In 1923 each of the three leading powers began preparations for the building of 10,000-ton cruisers—the maximum size permitted by the treaty. Great Britain was the first actually to lay down vessels of the new type, and five cruisers were started in British yards in 1924. In the same year Japan laid down four somewhat similar 8-inch-gun ships, and the United States authorized eight 10,000-ton cruisers for this country—although in the interest of economy work was not actually begun until 1926 and 1927.<sup>20</sup>

During the next five years Great Britain and Japan proceeded with regular replacement programs, laying down two or more of the new cruisers each year. By the end of 1927, Great Britain had laid the keels of fourteen 8-inch-gun vessels, while Japan had begun work on eight of the same type, in addition to two small 7,100-ton vessels mounting 8-inch-guns.

An effort to end this competition was made in 1927 when President Coolidge invited the five naval powers to a conference held at Geneva for the purpose of limiting those classes of vessels not covered by the Washington Treaty.<sup>21</sup> France and Italy declined to attend on the ground that the limitation of land, naval and air armaments should be dealt with as a single problem by the League of Nations. Great Britain and Japan accepted, but the conference reached no agreement due to an irreconcilable difference of opinion between the American and British

they affect the United States, they are, first, the question of peace in the Pacific, turning chiefly on the problem created by the establishment of Manchoukuo and, second, the naval problem of arresting a new race in sea armament. The two are closely interrelated, but the remainder of this report will deal primarily with the second, or naval, problem.

delegations on the question of 10,000-ton cruisers.<sup>22</sup>

With the collapse of the Geneva Conference, the United States began building in earnest. The six 8-inch-gun cruisers authorized in 1924 were laid down in 1928 and the Big Navy group in Congress introduced a huge program calling for construction of 71 ships over a period of five years.<sup>23</sup> The measure was not adopted in its original form but the following year Congress authorized the construction of 15 additional cruisers which, with those already building, would eventually give the United States 23 modern 10,000-ton vessels.<sup>24</sup> Eight of these vessels were laid down in 1930 and 1931. Great Britain at the time had 15 of this type, built or building, while Japan had 12, and both countries took steps to match the American program. Nor was competition confined to the three powers; France and Italy were laying down heavy programs in cruisers, destroyers and submarines in a race for naval supremacy in the Mediterranean.

### THE LONDON CONFERENCE, 1930

The cruiser controversy was adjusted in 1930 at the London Naval Conference, which resulted in the following important agreements:

1. An extension of the capital ship "holiday" under which the five powers [United States, Great Britain, Japan, France and Italy] agreed not to lay down battleships authorized for replacement under the Washington Treaty before December 31, 1936.<sup>25</sup>

22. The British delegation asked that cruisers be divided into two categories—large 10,000-ton cruisers mounting 8-inch-guns and small 6-inch-gun vessels, limited to 6,000 or 7,500 tons. Only in this way, the British claimed, could they provide for the number of vessels needed to protect their trade routes—a number estimated at 70 cruisers. The United States rejected these proposals, and insisted on the right to build all cruisers up to the maximum size of 10,000 tons. This type, the American experts contended, was especially suited to the needs of the United States because of its lack of naval bases. The two positions could not be reconciled and the conference broke up without agreement. Cf. "The International Naval Situation," cited, p. 324.

23. United States, 70th Congress, 1st session, H.R. 7359.

24. Act of February 13, 1929.

25. Under the Washington Treaty, replacement of capital ships reaching the age limit of 20 years was to have begun in 1931. Between 1931 and 1936 the United States, Great Britain and Japan would have been entitled to lay the keels of 26 capital ships. At London the three powers agreed to make no replacements before the end of 1936, and agreed to scrap or otherwise dispose of 9 existing battleships within 30 months. An exception was made in the case of France and Italy, each of these powers being entitled to build the replacement tonnage which they did not lay down in 1927 and 1929 as allowed by the Washington Treaty. Cf. United States, Department of State, *London Naval Treaty of 1930*, Conf. Series No. 2 (Washington, Government Printing Office, 1930).

18. In reply to Foreign Minister Hirota's expressed desire to establish "a most peaceful and friendly relation," Secretary Hull voiced the "earnest hope that it may be possible for all countries which have interests in the Far East to approach every question existing or which may arise between them or among them in such spirit and manner that these questions may be regulated or resolved with injury to none and with definite and lasting advantage to all." For complete text, cf. *New York Times*, March 22, 1934.

19. France, which accepted the battleship agreement with the greatest reluctance, refused to consider the same ratio in cruisers and submarines, and claimed such a high tonnage for itself that Great Britain was unwilling to adhere to the American proposals. Cf. *Conference for the Limitation and Reduction of Armaments* (Washington, Government Printing Office, 1922), p. 117.

20. *Information Concerning the United States Navy and other Navies* (Washington, Government Printing Office, 1926), p. 86.

21. "The International Naval Situation," cited.

2. A limitation agreement under which the United States, Great Britain and Japan established the naval strengths which should not be exceeded on December 31, 1936.
3. A series of regulatory agreements under which, the five powers established rules for replacement of "over-age" vessels, scrapping and conversion of war vessels, and definitions of special and exempt vessels, etc.<sup>26</sup>

The agreement was incomplete, however, as France and Italy declined to accept the limitation of auxiliaries on the terms offered by the leading powers.<sup>27</sup> As a result, Great Britain felt it necessary to safeguard its future security by providing an escape from the terms of agreement with the United States and Japan. Article 21, inserted at the request of Great Britain, allowed any power to increase its tonnage beyond the prescribed limits if, during the term of the treaty, the requirements of its "national security" were affected by the new construction of any country not a party to the agreement. And without France and Italy, the limitation agreement remained an uncertain instrument, subject to immediate termination should the building programs of the two "outside powers" be regarded as a menace to the security of Great Britain.

The Washington ratios were attacked at the London Conference from another quarter. Japan, which had never been entirely reconciled to the 5-3 ratio despite the naval base concession, sent its delegation to London with specific instructions to demand at least a 10-7 ratio in auxiliary surface craft and parity with Great Britain and the United States in submarines.<sup>28</sup> These ratios were demanded by the Admiralty as essential to the defense and security of Japan, and were

supported by the liberal Hamaguchi government. But the United States firmly rejected the 70 per cent ratio in the category of 8-inch-gun cruisers, and in the end the Japanese delegation in London agreed to a compromise arrangement. Under this compromise Japan accepted a 60 per cent ratio in 8-inch-gun cruisers, but only on the understanding that the United States would not complete more than 15 ships in this category before 1936.<sup>29</sup> In 8-inch-gun cruisers and destroyers, however, Japan was permitted 70 per cent of the tonnage allowed the United States and Great Britain, while in submarines Japan was granted parity with the other two powers.<sup>30</sup>

This agreement aroused a controversy in Japan, which continued long after the final ratification of the London Treaty. The navy lodged a vigorous protest against the "usurpation of constitutional powers" by the Cabinet. The army and navy Ministers, unlike other members of the Cabinet, were responsible directly to the Throne, and the Naval General Staff had traditionally assumed the responsibility for naval defense. The controversy over constitutional issues was carried to the Privy Council, and on June 10 Admiral Kato, Chief of the Naval General Staff, resigned in protest against the action of the Hamaguchi Cabinet.<sup>31</sup> Although the navy was compelled to submit for the time being, it reasserted its position following the outbreak of the Manchurian conflict in the fall of 1931.<sup>32</sup>

When the London Treaty was signed, the existing strength of the three principal powers in ships built and building was as follows:

#### STRENGTH ON DECEMBER 31, 1929

	<i>United States</i>	<i>Great Britain</i>	<i>Japan</i>	<i>Ratios</i>
Capital ships .....	532,400	608,650	292,400	10:11.4:5.5
Aircraft carriers .....	76,286	115,350	68,870	10:15.1:9
Cruisers over 6-inch-guns	130,000	186,226	108,400	10:14.3:8.3
Cruisers 6-inch-guns and under .....	70,500	177,685	98,415	10:25.2:13.9
Destroyers .....	290,304	184,371	122,575	10:6.3:4.2
Submarines .....	80,980	60,284	77,842	10:7.4:9.6
Total .....	1,180,470	1,332,566	768,502	10:11.3:6.5

On December 31, 1936, under the terms of the Washington and London Treaties, the

maximum tonnage permitted the three powers would be:<sup>33</sup>

#### TREATY FLEET

*(If the United States does not exercise the option provided by Article 18 of the treaty for building only 15 8-inch-gun cruisers.)*

	<i>United States</i>	<i>Great Britain</i>	<i>Japan</i>	<i>Ratios</i>
Capital ships .....	462,400	474,750	266,070	10:10.3:5.8
Aircraft carriers .....	135,000	135,000	81,000	10:10:6
Cruisers over 6-inch-guns	180,000	146,800	108,400	10:8.1:6
Cruisers 6-inch-guns .....	143,500	192,200	100,450	10:13.4:7
Destroyers .....	150,000	150,000	105,500	10:10:7
Submarines .....	52,700	52,700	52,700	10:10:10
Total .....	1,123,600	1,151,450	714,120	10:10.2:6.3

Despite these apparent reductions, each of the three powers was faced with the prospect of continued naval construction if the maximum treaty levels were to be maintained at the end of 1936. This was due largely to the necessity for a continuous replacement of "over-age" vessels. The useful life of warships is exceedingly short. Whereas a merchant ship may last for 40 years or more and still render efficient service, warships of 20 years of age have generally been regarded by naval men as unfit for duty. To keep a navy at a certain level, therefore, constant building is necessary, and if navies are to be limited by international agreement, elaborate rules and regulations for replacement must be laid down. The Washington Conference fixed the age limits of capital ships and aircraft carriers at 20 years. At the London Conference various proposals for extending the age limit of naval vessels were brought forward, but the final agreement shortened rather than extended the age limits generally accepted by the powers.<sup>34</sup>

The effect of these rules was to permit a large amount of replacement building in addition to the new construction necessary to attain the maximum tonnage levels. Under the terms of the treaty, the three principal powers were entitled to lay down a total of nearly one million tons of new vessels or replacements. The United States was free to lay down approximately 450,000 tons of naval vessels. Great Britain was entitled to lay down approximately 380,000 tons of replacement vessels, while Japan was free to construct approximately 126,000 tons.<sup>35</sup>

## POST-WAR BUILDING PROGRAMS

### Japan

Of the three leading powers, Japan was in the best position to maintain the maximum treaty allowances at the end of 1936. It had already laid down its full tonnage in new 8-inch-gun cruisers, and constant replacements

since the Washington Conference had given it a high percentage of modern under-age vessels. Thus, when the London Treaty came into effect, Japan had only to lay down approximately 75,000 tons during the next six years, in addition to vessels then under construction, in order to maintain the maximum treaty levels in all categories of ships by December 31, 1936. By taking full advantage of the replacement provisions, however, Japan was free to begin the construction of another 50,000 tons to replace vessels which will become over-age in 1937, 1938 and 1939.<sup>36</sup> Thus, Japan would not only be able to maintain the maximum treaty tonnage in under-age vessels, but actually to exceed this tonnage to the extent that it anticipated replacements falling due in 1937, 1938 and 1939.

The first replacement program under the London Treaty was adopted by the Imperial Diet in 1931. The program called for four 8,500-ton 6-inch-gun cruisers, twelve destroyers, and nine submarines to be completed before the end of 1936. The first ships of the 1931 replacement program had scarcely been launched when the naval authorities began to prepare plans for a second replenishment program, to anticipate the replacement of all vessels reaching the age limit between 1936 and 1938. This program was introduced following the military campaign in Manchuria which brought the military and naval parties into power in Tokyo. It made provision for two additional 8,500-ton cruisers with 6-inch-guns, two aircraft carriers of 10,000 tons each, fourteen destroyers and four submarines, in addition to the modernization of several battleships and cruisers.<sup>37</sup> Furthermore, the program called for the expansion of the naval air service with the addition of eight squadrons to be created by 1937.

With the adoption of the second replacement program, Japan had projected everything that could be laid down before December 31, 1936, including cruisers, destroyers and submarine replacements up to and including the year 1938.<sup>38</sup> The cost of the second program was estimated by naval authorities at approximately 487,000,000 yen,

26. Cf. *London Naval Treaty*, cited, Annex 2 and 3.

27. As in 1922, France insisted on additional guarantees of security before accepting any reduction in naval strength, and submitted claims to a total of 724,000 tons—a figure which Great Britain would not accept. Cf. "The London Naval Conference," cited.

28. S. Tatsuji Takeuchi, *Japan and the London Naval Treaty*, reprinted in pamphlet form, Institute of Oriental Students, Chicago, Vol. IV, 1930.

29. The United States was permitted to lay down one cruiser on January 1, 1933, one on January 1, 1934, and the last on January 1, 1935.

30. Cf. "The London Naval Conference," cited, p. 116, 126.

31. Takeuchi, *Japan and the London Naval Treaty*, cited, p. 8.

32. Cf. T. A. Bisson, "The Rise of Fascism in Japan," *Foreign Policy Reports*, October 26, 1932.

33. U. S. Senate, *Hearings Before the Committee on Foreign Relations on the Treaty for the Limitation of Naval Armaments* (Washington, Government Printing Office, 1930), p. 23.

34. The age limit of cruisers laid down before January 1, 1920 was fixed at 16 years; that of cruisers laid down on or after this date was fixed at 20 years. The age limit of destroyers laid down before January 1, 1920 was established at 12 years; those laid down after this date at 16 years. The life of submarines was fixed at 13 years. In addition, the treaty permitted the powers to begin the replacement of vessels two or

three years in advance of the year in which they would technically become over-age. Cf. *London Naval Treaty of 1930*, cited, Annex I.

35. *Ibid.*, Annex I.

36. For example, four 6-inch-gun cruisers which had been completed in 1929 would become over-age in 1937 and replacements could be begun as early as 1934. A number of destroyers completed in 1921 and 1922 could be replaced in 1935 and 1936. Finally, Japan was entitled to begin replacing approximately 16 submarines reaching the age limit between 1937 and 1939 by laying down not more than 19,200 tons of replacement vessels prior to December 31, 1936.

37. In addition, the program included a large number of vessels not subject to treaty limitation: two oil tankers (15,000 tons each); two or three seaplane carriers (10,000 tons each); 16 torpedo boats and a number of small vessels. Cf. *Japan Weekly Chronicle*, December 14, 1933.



of which 73,000,000 yen was to be expended during the first year (1934-1935). In the meantime, however, the cost of the first program had been reflected in the ordinary and extraordinary budgets for the naval ministry. In 1932-1933 the total budget for the navy rose to 306,760,000 yen and in the following year to 405,771,000 yen—an increase of nearly 100 per cent over 1931. The 1934-1935 estimates totaled 487,871,000 and represented the largest naval outlay since the World War.<sup>39</sup> According to statements made in the Diet in January 1934, the cost of the second building program will bring the total naval expenditures close to 600,000,000 yen in 1936.<sup>40</sup>

The naval expenditures of Japan since the Washington Conference are shown in the following table:<sup>41</sup>

(in millions of yen)	
1922-23 .....	373,891
1925-26 .....	229,002
1926-27 .....	237,307
1927-28 .....	273,536
1928-29 .....	268,131
1929-30 .....	267,664
1930-31 .....	242,034
1931-32 .....	227,128
1932-33 .....	306,766
1933-34 .....	403,771
1934-35 .....	487,871 <sup>42</sup>

Despite critical interpellations in the Diet,<sup>43</sup> the military budget for 1933-1934 was adopted without strong opposition. The heavy outlays for national defense were justified by naval and military authorities on the ground that the international situation compelled Japan to expand the army and navy "to maintain peace in the Orient." War Minister Araki and other military leaders declared that the nation would face "an unprecedented national crisis" in 1935 and 1936 when Japan's withdrawal from the League of Nations becomes effective and when the Washington and London treaties come up for review. Early in September General Araki declared: "Japan cannot

38. According to calculations made by the Japanese Navy Department, Japan's ratios at the close of 1936 in under-age vessels will be as follows:

Capital ships .....	62%
Aircraft carriers .....	65
8-inch-gun cruisers .....	71
6-inch-gun cruisers .....	89
Destroyers .....	156
Submarines .....	161

Cf. *Trans-Pacific* (Tokyo), February 8, 1934.

39. Cf. *Japan Weekly Chronicle*, December 14, 1933. Although the Japanese currency decreased by roughly 60 per cent on the international exchanges, the purchasing power of the yen has not dropped by more than 15 per cent within Japan.

40. *New York Herald Tribune*, January 28, 1934.

41. Japan, Department of Finance, *Financial and Economic Annual of Japan, 1933* (Tokyo, Government Printing Office), p. 54-5.

42. *Japan Weekly Chronicle*, December 14, 1933.

43. Leaders of both political parties interpellated the Saito government on the military and naval budgets during the first week of the Diet session in January 1934. Cf. *Trans-Pacific* (Tokyo), February 8, 1934.

afford to make an irrevocable blunder in the face of the supreme national crisis on account of mere considerations of finance technique. The nation must be closely united in view of the possible outcome of events in 1935 and 1936."<sup>44</sup>

The theory of a national crisis was supported by the more sensational newspapers through the publication of provocative statements by military leaders and alarmist reports of war preparations abroad.<sup>45</sup> During the summer and fall of 1933 Japanese newspapers sharply criticized American policy in China, especially the granting of a \$50,000,000 loan to the Nanking government for the purchase of American wheat and cotton and the extension of American aviation interests on the Asiatic mainland. The \$238,000,000 American naval building program, financed with Public Works funds in the summer of 1933, was cited by Japanese naval authorities as further justification for Japan's second replenishment program.

As early as September 1933 officials of the army, navy and the Foreign Office took steps to organize a joint committee to study the policy to be followed by Japan at the 1935 naval conference.<sup>46</sup> Japan's present policy is to maintain a fleet powerful enough to defend the country against any naval force which could be dispatched to the Western Pacific by any other naval power.<sup>47</sup> Since December 1932, however, it has been apparent that Japan regards existing ratios as entirely inadequate. The Japanese delegate to the Disarmament Conference at Geneva formally declared in May 1933 that the present treaties are unsatisfactory and that Japan will request higher ratios at the 1935 conference.<sup>48</sup> Although the Japanese government has not announced its final proposals, the plan presented at Geneva in 1932 called for a strength of approximately 70 per cent in capital ships, 80 per cent in large cruisers, and freedom in other categories of ships within a certain maximum tonnage. Foreign Minister Hirota, speaking in the Diet on January 25, 1934, declared that the plan for next year's conference had not yet been completed but, he added significantly, "naval ratios are only an experiment of the last ten years."<sup>49</sup>

44. Cf. *Trans-Pacific* (Tokyo), September 14, 1933.

45. An article by Vice Admiral Suetsugu, originally published in the Japanese magazine *Sendai* and widely reprinted in Japanese and foreign newspapers, was typical of the extreme statements made by military leaders. Admiral Suetsugu urged the need for a strong army and navy in order to defend the nation against the white races who were striving to curb Japan's supremacy in Asia. For text of this article, cf. *Trans-Pacific* (Tokyo), January 25, 1934.

46. *Trans-Pacific* (Tokyo), September 21, 1933.

47. *The Japan Year Book, 1933*, cited, p. 243.

48. Cf. League of Nations, Conference for the Limitation and Reduction of Armaments, General Commission, *Minutes of 64th meeting*, May 25, 1933, p. 504.

49. Foreign Minister Hirota repeated this statement in the House of Peers on January 31. Cf. *Trans-Pacific* (Tokyo), February 15, 1934.



The most serious problem, in the eyes of Japanese leaders, is the political issue created by the Manchurian controversy. In a pamphlet which was widely circulated in Japan, one prominent Japanese leader declared:

"If America is sincerely desirous of an amicable solution of the outstanding problems with Japan, she should first repeal the anti-Japanese immigration law which metes out a discriminatory treatment to the Japanese, granting entry to the Japanese immigrants on the same basis as the Europeans. America should keep her hands off the Manchurian and Chinese problems, regarding which she should place implicit confidence in Japan. As for naval reduction, America should respect other nations' claims to parity, refraining from imposing her own will on them."<sup>50</sup>

### Great Britain

Since the London Naval Conference, Great Britain has carried forward a small but steady replacement program. Shortly after the naval treaty was signed, the Labor government outlined a policy of gradual replacement of over-age vessels, which was followed with minor changes by the National government until the end of 1933. This policy fixed the requirements of the British Empire at 50 cruisers—instead of 70 cruisers as proposed at the 1927 naval conference—and provided for the replacement of over-age destroyers and submarines in small annual instalments to be spread over a period of ten years. It rested on the assumption that France and Italy would eventually adhere to the London Agreement and that the projected programs of other naval powers would be gradually reduced during the period of the treaty.

Under the terms of the treaty, Great Britain was entitled to lay down more than 380,000 tons (mostly replacements) in all categories before the end of 1936. The Labor government, however, made no effort to attain the maximum levels in under-age vessels during the six-year treaty term, preferring instead to extend replacements over the longer period.<sup>51</sup>

Beginning in 1930 and continuing through 1933, Great Britain laid down each year three 6-inch-gun cruisers, nine destroyers, three submarines and a number of small vessels not limited by the treaty. With the adoption of the fourth annual instalment in 1933, Great Britain had begun construction on approximately 150,000 tons—thus leaving about 230,000 tons unused or in over-age vessels in 1936.<sup>52</sup>

50. *Trans-Pacific* (Tokyo), September 28, 1933.

51. Great Britain, *Naval Construction Program, 1930*, Explanatory Statement by the First Lord of the Admiralty, Cmd. 3630 (London, H.M. Stationery Office, 1930).

52. Treaty vessels provided for in the four programs included 12 class B cruisers with 6-inch-guns, 36 destroyers, and 12 submarines.

During the first three years after the London Conference, naval expenditures declined from £52,274,000 in 1930 to £50,164,000 in 1932. Beginning in 1933, however, the estimates increased to £53,570,000, and in 1934 they increased again to £56,550,000, reflecting the altered international situation and the disarmament deadlock at Geneva.

The following table shows the net expenditure on the navy from 1925 to 1932 and the estimates for 1933 and 1934.<sup>53</sup>

Year	Total expenditure
1925 .....	£60,004,548
1926 .....	57,142,862
1927 .....	58,123,257
1928 .....	57,139,146
1929 .....	55,987,770
1930 .....	52,274,186
1931 .....	51,014,752
1932 .....	50,164,453
1933 .....	53,570,000
1934 .....	56,550,000

Despite the increasing gravity of the European situation following Germany's withdrawal from the Disarmament Conference in October 1933, the British government refrained from any step likely to complicate its disarmament negotiations on the Continent. Outwardly at least, the government professed the hope that some measure of international agreement would make it unnecessary for Great Britain to embark on a program of military and naval expansion. But the programs of other powers inevitably caused concern to the Admiralty.

Of primary concern to the British Admiralty was the competition between France and Italy and the failure of these two powers to reach a naval accord. At the time of the London Conference the British government made it clear that the limitation agreement with the United States and France could not endure if Britain's security was threatened by the building programs of "other powers" not parties to the treaties. In 1931 Foreign Minister Arthur Henderson made a strenuous effort to bring France and Italy within the framework of the London Treaty. The provisional agreement reached in 1931, however, never came into effect, and France and Italy continued laying down large annual building programs.<sup>54</sup> From January 1, 1930 until the end of 1933 France laid down a total of 44 vessels—including a capital ship of 26,500 tons—with a combined tonnage of 142,307, while Italy laid down 47 vessels, aggregating 108,738 tons.<sup>55</sup> The tonnage begun

53. Great Britain, *Navy Estimates 1934*, Statement by the First Lord of the Admiralty, Cmd. 4523 (London, H.M. Stationery Office, 1934).

54. Cf. W. T. Stone, "The Franco-Italian Naval Dispute," *Foreign Policy Reports*, June 24, 1931.

55. United States, 73rd Congress, 2nd session, Navy Department Appropriation Bill, *Hearings Before the Subcommittee of the House Committee on Appropriations, 1930*, p. 73.

during these years exceeded the amounts contemplated in the provisional agreement of 1931 and constituted, in the eyes of the British Admiralty, a menace to Great Britain's naval position in the Mediterranean.<sup>56</sup>

The American naval program was also a matter of concern. In August 1933, the United States decided to proceed with the construction of 10,000-ton 6-inch-gun cruisers as part of the \$238,000,000 Public Works program. These ships, although authorized by the London Treaty, were the first of their type to be laid down by any power. Fearing that the new type might lead to further competition and prevent a reduction in size at the next conference, the British government informally asked the United States whether the new American cruisers might be deferred during the life of the Disarmament Conference. When the American government replied that it did not see its way clear to alter its naval construction program,<sup>57</sup> Great Britain altered its 1933 program to provide for two cruisers of 9,000 tons and one smaller cruiser,<sup>58</sup> instead of four small cruisers as originally planned.

The 1934 program, introduced with the naval estimates on March 6—the same day that the United States adopted the Vinson Bill—provided for three additional 9,000-ton cruisers (to be completed in 1937) and one small 6-inch-gun cruiser, one aircraft carrier, nine destroyers and three submarines, in addition to several small vessels not limited by the treaty.<sup>59</sup>

During the debates in Parliament on the three service estimates—army, navy and air—the government was under fire from advocates of strong national defense. Winston Churchill declared in the House of Commons on February 7, that Great Britain “should get rid of the Treaty of London which prevented our building the ships we wanted. That freedom,” he added, “should be regained at the earliest possible moment and we should be helped in that direction by the fact that another of the parties to the treaty [Japan] has resolved to seek freedom.”<sup>60</sup> Lord Beatty, another strong advocate of national defense, characterized the acceptance of 50 cruisers instead of 70 as “a grave blunder,” and declared that Great Britain must “rectify” its position at the 1935 con-

ference.<sup>61</sup> A number of critics attacked the policy of “disarmament by example”—a phrase also employed in the United States—which they declared had left Great Britain in a defenseless position.

In reply to these critics, government spokesmen defended the efforts to achieve disarmament by pointing out the disastrous consequences of a new armaments race. But the debates in Parliament left little doubt that, should the disarmament efforts ultimately fail, the British government would proceed to build up its armed strength without delay. Stanley Baldwin, speaking for the government on February 7, solemnly declared that “if we do fail, the government will feel that the duty of the government is to look after the interests of this country first and quickly.”<sup>62</sup> Again, a month later, Mr. Baldwin promised that if an agreement for the limitation of air armaments could not be obtained, then the National government “will see to it that in air strength and in air power this country shall no longer be in a position of inferiority to any country within striking distance of our shores.”<sup>63</sup>

#### The United States

To the United States, the problem of maintaining a full treaty navy was more difficult and the cost more burdensome than to either Great Britain or Japan. Although the total tonnage of the United States in 1930 was higher than the maximum allowed at the end of 1936, the replacement of all the destroyers and submarines reaching the age limits before the expiration of the treaty would require an enormous building program. The necessity for immediate replacement of these auxiliary vessels was challenged by a few Congressional critics, but was defended by the Navy Department as essential to the efficiency of the fleet. No less than 150 of the destroyers had been completed after the Armistice, some as late as 1922, and more than 75 would be less than 16 years of age in 1936.<sup>64</sup> Under the terms of the London Treaty, however, the entire destroyer tonnage could be replaced by the end of 1936.

Following the ratification of the treaty, the Navy General Board formulated a new construction plan to be spread over a ten-year period and providing for the maximum treaty tonnage in 1940. This plan failed to win the approval of President Hoover because of financial stringency, and bills intro-

56. On December 31, 1936 France will possess 81 submarines, totaling 78,927 tons, while Italy will have 54 submarines, totaling 44,865 tons.

57. Cf. exchange of notes between the United States and Great Britain, *New York Times*, September 24, 1933.

58. Great Britain was unable to lay down more than two 9,000-ton vessels because of a provision in the London Treaty limiting British cruiser replacements to be completed before December 31, 1936 to 91,000 tons. Cf. London Naval Treaty, cited, Article 20.

59. Great Britain, *Naval Estimates*, 1934, cited.

60. *The Times* (London), February 8, 1934.

61. *Ibid.*, October 20, 1933.

62. *Ibid.*, February 8, 1934.

63. *Ibid.*, March 9, 1934.

64. Fifty-seven destroyers, moreover, were reconditioned in 1930 at a cost of approximately \$4,000,000. At the time, Admiral Rock declared that the efficient life of these ships would be extended by about 10 years. Cf. *Hearings Before the Subcommittee of the House Committee on Naval Appropriations*, 1930, cited.

duced in Congress during 1930 and 1931 were rejected.

The building of 20 vessels previously authorized was carried forward during 1931 and 1932, but it was not until after the Roosevelt Administration took office on March 4, 1933 that the General Board was able to press forward with its full construction program. The first opportunity was afforded by the adoption of the National Industrial Recovery Act which made available \$3,300,000,000 for Public Works projects and specifically authorized the President to employ a part of this fund for military and naval construction.<sup>65</sup> The Navy Department promptly submitted a plan to the Public Works Administration for the first annual instalment of its program, and secured \$238,000,000 for the immediate construction of 32 war vessels.<sup>66</sup> With the awarding of contracts for these vessels the total number of ships under construction was increased to 52.

The Navy Department, however, still lacked authorization from Congress to proceed with its full treaty program. To provide such an authorization and to establish the composition of the American navy at the maximum treaty levels, a bill was introduced in Congress by Representative Vinson early in January<sup>67</sup> with the backing of the Navy Department and presumably with the approval of the President. It authorized the construction of one aircraft carrier, 99,200 tons of destroyers and 35,530 tons of submarines, in addition to 6 cruisers previously authorized but not yet begun—a total of 102 vessels. It also provided for an unlimited number of airplanes. The President was authorized to proceed with the building of these ships and airplanes prior to December 31, 1936, "or as soon thereafter as he may deem it advisable."

In addition the Vinson Bill authorized the replacement of certain vessels when permitted by the treaties. This provision will permit the laying down of two additional cruisers of the *Omaha* class in 1936, and the replacement of existing capital ships after December 31, 1936, provided that no new agreement is concluded in the interval.<sup>68</sup>

The Vinson Bill was passed by the House without a record vote after two days of debate on January 30 and was adopted by the Senate, with amendments, on March 6.<sup>69</sup> It

was signed by President Roosevelt on March 27. In affixing his signature, the President issued a statement saying that it is the policy of the Administration to favor continued limitation of naval armaments, and pointing out that the Vinson Bill is merely an authorization and not an appropriation for actual construction. Whether it will be carried out depends on the action of future Congresses.<sup>69a</sup>

The broad question of whether the United States was justified in building to maximum treaty levels received scant attention during the debates in the Senate and the House. Senator Pope of Idaho and one or two other opponents of the measure, declared that even a full treaty navy would not permit the United States to challenge Japan's supremacy in Asiatic waters, or in fact to carry out such measures as "control of the seas," defense of "national interests and national policies," or even the protection of the Philippine Islands.<sup>70</sup> These objects, it was pointed out, could be obtained only by a navy superior to that of any other country in the world and two or three times the size of Japan's fleet. Sponsors of the bill, however, rested their case on the failure of the United States to build up to treaty levels during the decade between 1922 and 1932, and contended that the Vinson Bill was simply a "replacement measure."<sup>71</sup>

No accurate estimates of the ultimate cost of this largest construction program since 1916 was submitted by its sponsors. Senator Trammell, chairman of the Senate Naval Affairs Committee, declared that the cost would "probably amount to \$750,000,000" over the seven year period—an average of more than \$100,000,000 a year. Other estimates ranged from \$590,000,000 to more than \$1,000,000,000.<sup>72</sup>

The effect of the building program on the annual cost of maintaining the navy during the next few years may be calculated from statements made by Navy Department officials before the House Naval Affairs Committee and the President's budget message for 1935. Total expenditures of the Navy Department for 1934 are estimated in the budget at \$337,178,000, including \$56,000,000 allocated by the Public Works Administration. In 1935 the total expenditures of the Navy Department will be more than \$454,849,000, including \$144,000,000 in Public Works funds.<sup>73</sup> If the cost of the first year's building program under the Vinson Bill (estimated at about \$25,000,000) is added to the 1935 estimates, the total expend-

65. 73rd Congress, 2nd session, H.R. 5755.

66. Contracts were awarded in August 1933 for two aircraft carriers, four cruisers, 20 destroyers, four submarines, and two gun boats. Cf. *Hearings before the House Naval Affairs Committee on H.R. 6604*, January 22, 1934, p. 195.

67. 73rd Congress, 2nd session, H.R. 6601.

68. The clause permitting replacement of capital ships was interpreted in some quarters as meaning that the Navy Department intends to begin battleship construction as soon as the present treaty limitations expire.

69. Cf. *Congressional Record*, January 29, 30, March 5, 6, 1934. The amendments placed a limit of 10 per cent on the profits of private contractors, and provided that half of the vessels and 10 per cent of the airplanes should be built in government plants.

69a. Cf. *New York Times*, March 28, 1934.

70. Cf. *Congressional Record*, March 1, 1934, pp. 3530-3536.

71. *Congressional Record*, March 6, 1934, p. 3874.

72. Statement of Senator Trammell, *Congressional Record*, March 6, 1934, p. 3874.

73. *Message of the President Transmitting the Budget for the Fiscal Year ending June 30, 1935* (Washington, Government Printing Office), p. A55.



ditures of the navy will exceed \$475,000,000. In 1936, however, and continuing through 1938, the annual cost of the Vinson Bill will exceed \$100,000,000 a year, thus bringing the total cost of maintaining the navy to well over half a billion dollars.

These figures may be compared with naval expenditures during the past ten years.<sup>74</sup>

Year	New Construction	Total Expenditure
1913 .....	\$ 24,630,999	\$183,262,862
1922 .....	88,420,185	476,775,194

1923 .....	38,102,059	333,201,362
1924 .....	39,240,148	332,249,137
1925 .....	26,550,810	346,142,001
1926 .....	16,183,602	312,743,410
1927 .....	18,809,187	318,909,096
1928 .....	25,229,457	331,335,492
1929 .....	38,175,027	364,561,544
1930 .....	32,205,085	374,165,639
1931 .....	25,000,000	354,071,004
1932 .....	39,588,673	357,820,860
1933 .....	48,319,748	349,561,924
1934 (est.) .....	77,133,400	337,178,400
1935 (est.) .....	182,157,300	454,849,700

## CONCLUSION

The future of naval limitation depends in large measure on the ability of the leading maritime powers to effect a settlement of outstanding political differences at the conference in 1935. As in 1921, the chief obstacles to a naval accord lie in the conflict of national policies in the Pacific area. The main problems are those created by the Japanese-sponsored state of Manchoukuo and the non-recognition policy adopted by the United States and the members of the League of Nations.

The Japanese position is that the two issues of Manchoukuo and the naval ratios are separate and distinct. Foreign Minister Hirota recently declared in the Diet that Japan considers Manchoukuo a closed issue. The refusal of the Western powers to recognize Japanese gains in Manchuria reminds Japan of the efforts made by these powers in the past to block the consolidation of Japan's position on the Asiatic mainland. Thus, while asking for a higher naval ratio, the Japanese government is firmly opposed to discussion of questions concerning its policy in Asia at the next naval conference.

The American position, as stated by Secretary Stimson, rests on the thesis that the two issues are interrelated and interdependent. The United States, according to Secretary Stimson, accepted the naval agreement of 1922 on the basis of Japan's pledge in the Nine-Power Treaty to respect China's territorial and administrative integrity. If the Nine-Power Treaty has been violated by the creation of Manchoukuo, then the naval agreement of 1922 can no longer be continued.

Should Japan and the United States maintain their policies unchanged, the prospect of agreement in 1935 would appear extremely doubtful. Japan's refusal to discuss Manchuria, and the insistence of the United States on inclusion of Manchoukuo would

almost certainly lead to complete deadlock. Theoretically, the United States could attempt to challenge Japan's supremacy in Asia by threatening to expand its navy. The consequences of such a program, however, would be incalculable. To make its threat effective, the United States would be compelled to abrogate the Washington agreements, build a navy at least twice the size of Japan's, and fortify its naval bases in the Pacific. Since Japan would also be forced to expand its navy, the result would inevitably be a naval race which would endanger peace in the Pacific.

On the other hand, should the United States or Japan be prepared to modify its position, a settlement might be possible. At least two alternatives would be open to the United States.

(1) It could attempt to bargain with Japan by using the lever of naval ratios to secure modification of the Manchoukuo régime, or definite assurances that the principle of the Open Door would be upheld. The weakness of this alternative is that Japan has not only declined to reopen the Manchurian question, but has also asked for a higher naval ratio.

(2) It could admit the *de facto* situation in the Far East and renounce any intention of challenging Japan's position in Asia. In this case, the United States could proceed to discuss the naval question without pressing for an immediate solution of the Manchurian issue. It might still maintain the non-recognition policy toward Manchoukuo in the hope that at some future date the question could be reopened with better chance of agreement.

Should the United States follow this alternative, it would be free to adopt other conciliatory measures. It could withdraw American naval bases from the Philippines after negotiation of a pact neutralizing the Islands; it could relinquish its extraterritorial privileges in China and withdraw its marines and gun boats from that country; finally, it could repeal the Exclusion Act and admit a few score Chinese and Japanese immigrants each year on a quota basis.

74. Expenditures for 1913 and for 1922 to 1932 inclusive taken from *Annual Report of the Secretary of the Treasury for Fiscal Year ended June 30, 1933*, p. 310.

Actual expenditure for 1933 and estimates for 1934 and 1935 from budget for fiscal year 1935.